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Message Text

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46
ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 /066 W
---------- 104701
R 121315Z NOV 75
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 4303

UNCLAS TEHRAN 11043

E.O. 11652: NA
TAGS: EINV, IR
SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS-IRAN

REFS:(A) TEHRAN 7561,(B) TEHRAN 9511,(C) TEHRAN 10032
(D) STATE 261921

THE FOLLOWING SUGGESTED REVISIONS ARE KEYED TO PARAGRAPH NUMBERS IN THE EMBASSY'S STATEMENT SUBMITTED BY REF A:
(2) THE IRANIAN ECONOMY IS IN A PERIOD OF CONSOLIDATION AFTER SEVERAL YEARS OF HIGH LEVELS OF ACTIVITY DURING WHICH ANNUMBER OF SIGNIFICANT BOTTLENECKS TO CONTINUED HIGH GROWTH LEVELS DEVELOPED. NONETHELESS, ECONOMIC GROWTH IN REAL TERMS IS ANTICIPATED AT ABOUT 16 PERCENT IN 1975-76 AND INFLATION HAS BEEN DRASTICALLY SLOWED DUE TO STRONG GOVERNMENT ACTIONS. A COMBINATION OF CONTINUED LARGE GROWTH IN IMPORTS AND ONLY MODESTLY INCREASED OIL EXPORT REVENUES HAS RESULTED IN A SLOWDOWN IN THE RELATIVE RATES OF PUBLIC AND PRIBATE SECTOR INVESTMENT. THESE FACTORS AND NEW POLICIES AFFECTING FOREIGN EQUITY PARTICIPATION AND MAXIMUM MANAGEMENT OWNERSHIP HAVE DAMPENED INVESTOR ENTHUSIASM. HOWEVER, THE ECONOMIC ENVIRONMENT REMAINS ESSENTIALLY SOUND AND SHOULD IN THE LONG-RUN OFFER GOOD PROSPECTS FOR MANY INVESTORS. (5) THE GOVERNMENT HAS BEGUN ITS PROGRAM UNDER WHICH PRIVATE INDUSTRIAL FIRMS MEETING SPECIFIC CRITERIA MUSTDIVEST 49 PERCENT OF EQUITY TO WORKERS, FARMERS AND THE PUBLIC, IN THAT ORDER OF PRIORITY. BY
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SEPTEMBER 20,1976, IT IS INTENDED THAT 106 OF SOME 300 FIRMS

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WILL HAVE SOLD AT LEAST 20 PERCENT OF THEIR EQUITY. (NOTE:
ADDITIONAL INFORMATON ON THIS PROGRAM IS CONTAINED IN REF B.)
ADDITIONALLY, THE GOVERNMENT IN OCTOBER, 1975, ESTABLISHED
FOREIGN INVESTMENT EQUITY CEILINGS ACCORDING TO INDUSTRIAL
SECTORS. THESE VARY FROM 15 TO 25 PERCENT WITH EXCEPTIONS
ON A CASE BY CASE BASIS UP TO 35 PERCENT IN HIGH TECHNILOGY
INDUSTRIES.(NOTE: THE DEPARTMENT MAY DRAW FROM REF C SHOULD
IT WISH TO IDENTIFY PERCENTAGE CEILINGS BY SECTOR.)
HELMS

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